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floor of the convention, to be deprived of good standing in the company of Anglo-Saxons. Indeed, of the two hundred and two delegates, listed in the *Daily Socialist* of May 12, no fewer than one hundred and sixteen bear distinctively American names unless indeed the Irish are to be counted out.

On the whole, close observation of the socialist party at work does not weaken the conviction that here is a force destined to play an important part in the development of American polity. But such observation does cause one to hesitate about hazarding the prediction that the party is likely to increase rapidly in strength in the near future. Recruits to the socialist party are most likely to come in large numbers from the ranks of organized labor but it will take some time to convince the trade-unionists of the futility of the American Federation's political programme and to rouse them to real consciousness of the need on their part of united political action. Even then it is far from certain that the unionists will join forces with the socialists rather than attempt to gain their ends through an independent labor party. On the other hand, before the socialist party can hope to appeal successfully to any great body of men outside the ranks of organized labor, it must purge itself of certain vicious and disorganizing elements, must confirm the leadership of the intellectual and moderate element, must reconcile democracy and efficiency in the party machinery, and must have a programme that is unequivocal, relatively complete, and really practical. To accomplish these things will take time, and when they have been accomplished the question is, will the socialist party really be a party of socialists?

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### WASHINGTON NOTES

CONGRESSIONAL APPROPRIATIONS

ADOPTION OF THE CURRENCY ACT

THE NEW CURRENCY ISSUES

ORGANIZING NATIONAL CURRENCY ASSOCIATIONS

IMPORT AND EXPORT FREIGHT TARIFFS

"EMPLOYERS' LIABILITY" OF THE GOVERNMENT

*A Correction*

Congressional appropriations, for the fiscal year about to open, are by far the largest yet recorded and are in many instances based

upon a much smaller foundation of justice than has been customary even in former years. The grand total of appropriations, including regular and permanent annual appropriations for the coming year, is \$1,008,804,894 as against \$920,798,143 for the fiscal year 1908, and \$879,589,185 for 1907. This remarkable increase in outlay takes place at a time when the estimated deficit for the current fiscal year is placed at from \$60,000,000 to \$65,000,000, while the estimated revenue for 1909 will hardly be over \$878,123,011—a figure which would mean a deficit of some \$130,000,000 should the appropriations be fully drawn down during the year. Growth has occurred in the expenditures for both navy and army, the former showing an increase of about \$24,000,000, the latter of about \$17,000,000. About \$17,000,000 has been added to the outlay for pensions, while in spite of the defeat of the shipping subsidy and increased railway mail-pay schemes, the post-office appropriation bills have shown an addition of some \$10,000,000. All along the line there have been enlargements in most cases with no warrant except the desire to favor certain interests or advance political objects, as in the case of the \$30,000,000 for public buildings. The comparison with former years becomes the more marked when it is noted that no river and harbor improvement appropriations was passed at this session. The great advance in outlays has been attributed by Chairman Tawney to the obstructive tactics of the Democratic minority in Congress which, he argues, prevented the careful pruning of the appropriations on the floor—a partisan claim to which no weight can be assigned. There has been a more serious consideration at this session than ever before among the more thoughtful legislators of the absolute necessity of devising a budget system of some sort. Control of expenditures has grown less rigid and the whole oversight of the Treasury is probably at its most relaxed condition. Partly as a result of these unprecedented appropriations of Congress, it will be necessary to abandon the idea of redeeming the Spanish War 3 per cent. bonds amounting to \$64,000,000 which shortly mature. If Secretary Cortelyou is able to pay off the \$15,000,000 3 per cent. certificates of indebtedness issued during the panic last fall he will do as much as most persons expect; while the further issue of Panama bonds, especially in view of the higher scale of expenditures on the canal, is now a certainty. As to the surplus, its complete disappearance within a very short time is now assured, and the recurrence of a period of

deficit financiering, unless tariff revision should include some new source of revenue, is already in sight.

In passing the new currency act on May 30 (Public Act No. 169, 60th Congress, 1st session) Congress has taken the most important step relating to banking since the Civil War. The new bill became a practical proposal just at the end of the session after the House had passed the so-called "Vreeland bill" providing for the issue of currency through "clearing-houses," securing it upon commercial paper deposited with these organizations. This measure was then brought into conference between the House and Senate and an effort was made by the representatives of the upper chamber to substitute the original Aldrich measure providing for issues of notes based on state, county, and municipal bonds. To this the House members of the conference returned a decided negative and the attempt to pass a currency measure was officially abandoned (May 21). The news that the attempt at currency legislation had been given up caused dismay in the White House as well as in the office of the Speaker of the House, and machinery was at once set on foot for the purpose of reviving the measure. After lengthy conferences a compromise was agreed upon, identical with the act as finally passed, and Speaker Cannon undertook to force the revised bill through the lower chamber contrary to the known wishes of a majority of the members. In this process probably every device known to the legislator was employed. There was open announcement that the public buildings bill, relied upon by many members to secure their re-election, would be abandoned, should continued efforts be made to obstruct the passage of the currency proposal, while personal pledges, promises, and threats were freely resorted to. In this way, the ground was prepared for the passage of the new measure and a favorable vote was secured on May 26, immediately after the report of the conference committee had been made to the House and actually before copies of the bill had been printed for distribution. Probably not more than 2 per cent. of the members had any idea of the terms of the bill at the time when they voted for it. The smallness of the majority by which the report was accepted was due to the voluntary absence of a number of members who remained away to avoid what they considered the necessity of voting favorably on the measure should they remain on the floor. In the Senate, Mr. Aldrich had already

secured the necessary votes, and after a spectacular and useless effort at obstruction on the part of three senators (in which they were entirely unassisted by the democratic opposition) the conference report was pressed to a vote.

The new currency act is a compromise between the so-called Aldrich and Vreeland bills. It provides for the issue of notes by banks, having an unimpaired capital and a surplus of 20 per cent., the notes issued not to exceed, in all, the amount of such capital and surplus. In order to take out notes on other securities, banks must already have outstanding notes secured by government bonds amounting to 40 per cent. of their capital. Such banks may make application for notes to be secured by state, county, and municipal bonds and may receive such notes, subject to the limitations already indicated, to an amount not exceeding 90 per cent. of the market value of the bonds deposited. Banks may also establish what are to be known as National Currency Associations for the purpose of taking out further notes. These associations are to be created by groups of banks not less than ten in number situated in contiguous territory, with combined capitals of at least \$5,000,000. Upon receiving an application from such a group of banks the Secretary of the Treasury may prescribe the conditions to govern the association and may then incorporate it. He may supply to banks in such associations notes not exceeding 30 per cent. of the combined capital and surplus of the issuing bank, such notes to be protected by four-months two-name paper pledged with the currency associations. The notes issued shall not amount to more than 75 per cent. of the face value of the paper, and the banks are to be jointly and severally liable for currency thus taken out. Whatever be the medium through which the new notes are issued, they are to pay a tax at the rate of 5 per cent. per annum for the first month with an addition at the rate of 1 per cent. per annum for each additional month they remain in circulation. The act also provides that a rate of interest not less than 1 per cent. per annum shall be imposed by the Secretary of the Treasury upon government deposits in banks with the exception of those daily balances that are kept in "regular" depositories. Depositories thus exempted are chiefly the large banks in which the current funds of the government are kept and which are drawn upon regularly. They number about 425 out of a total of some 1,421 government depositories and the deposits which

will thus be exempted from the payment of interest are estimated at approximately \$70,000,000. "Special" deposits in regular depositories, however, pay interest. In the final sections of the bill, provision is made for a "National Monetary Commission" consisting of nine senators and nine representatives, which is to consider the question of further currency legislation and report to Congress at the earliest practicable moment. The representatives who are members of this commission have already been appointed by Speaker Cannon, while the Senators have been named by Vice-President Fairbanks under the dictation of Mr. Aldrich. Virtually this commission is a subcommittee of the senate finance committee sitting in joint session with a subcommittee appointed by Speaker Cannon, not from the banking and currency committee, but so chosen as to fulfil his own wishes. It is of especial interest to note that the men to whom the passage of this new currency bill is, above all others, due are President Roosevelt, Secretary Taft, and Speaker Cannon, who co-operated with Mr. Aldrich in coercing an unwilling Congress into the acceptance of the measure.

A number of difficult problems will have to be solved in making application of the new currency act and are already giving concern at the Treasury Department. The act makes it apparent that special regulations governing the organization of banks in national currency associations will have to be worked out. A preliminary set of rules has already been drawn by Secretary Cortelyou and has been supplied to the banks (Department Circular No. 39, 1908). It has also become evident that special machinery for judging of the value of offerings of bonds will have to be devised. The Treasury has already had considerable experience with this subject in connection with the receipt of bonds for use as security for public deposits, but such methods as have thus far been applied have proven very defective. During the panic of 1907, the mechanism then in use was almost wholly thrown aside and practically any sort of bonds was sure of acceptance. To feel a reasonable degree of assurance as to the soundness of the offered bonds the department must arrive at some more satisfactory plan than has hitherto been tried. Printing the currency will also involve some difficulties since the words indicating the character of the security behind national bank notes must now be altered—a task which involves the necessity of changing some 12,000 engraved plates. The banks

themselves have shown unexpected promptness in organizing under the new law, although in nearly every instance, preparations for organization have been accompanied by the unofficial assurance that no probability of the issue of new currency through these associations could now be discerned. Investigations at the Treasury are also making it apparent that the division of the country into sections suitable for the organization of the national currency associations will be difficult. The cities where a sufficient number of national banks to meet the provisions of the law already exist are few in number, even Washington with its eleven clearing-house banks having a combined national banking capital of only \$5,200,000 as against the \$5,000,000 required. National currency associations to be organized by country banks have been spoken of, but it is already plain that there will be more than a little difficulty in arranging the institutions in contiguous territory and in a way that will render possible co-operation in taking out notes. Meanwhile the returns made to the Comptroller of the currency, showing the condition of the banks on May 14, indicate that reserves stand at a height which makes the issue of notes by national currency associations improbable, certainly for this season. The banks in the larger cities may take out some notes upon the deposit of state municipal and county bonds in order to rediscount country paper, but beyond this it is hardly expected that they will go.

One of its most important recent steps has been taken by the Interstate Commerce Commission in its order of May 16, requiring all carriers engaging in export and import traffic, between the United States and foreign countries not adjacent, "to publish their rates and fares to the ports and from the ports." This decision is the outcome of the "Cosmopolitan shipping case" in which the commission (Decision No. 1,127) decided that it had no jurisdiction over ocean carriers, so that the latter "may alter their rates at such times as they please and for such patrons as they please." The commission, however, incidentally held that the carriers which are in the habit of making joint through rates to or from foreign points must file schedules of rates with the commission, through-billing when practiced being required to show "the published rates of the inland carrier." This requirement, as set forth first in the "Cosmopolitan" decision and then in the order of May 16, is a new departure, the carriers having filed such foreign export or import

rates only at their own pleasure prior to the present time. The order of the commission is being widely misinterpreted as implying a necessity of abolishing export and import rates and of making the charge for an inland haul conform to the rates charged on goods originating in the United States and passing over the same lines of road as the imported or exported goods. No such interpretation is placed upon the order by the commission, inasmuch as the Supreme Court of the United States in the "import rate cases" has expressly justified the fixing of differential rates on such imported or exported goods notwithstanding the alleged effect of such rates in "neutralizing" the protective influences of the tariff. On the contrary, in the recent "Pittsburg plate glass cases" (Decision No. 815) the commission has expressly accepted the views of the Supreme Court and has vindicated the policy of making differential rates on export and import traffic in cases where the circumstances indicate that such discriminations are lawful and reasonable. The new order to file the export and import tariffs will however tend to raise these overland schedules of charges on foreign goods. Notice of increase has been given by some of the roads already, despite the fact that the commission is likely to postpone the time when the order to file tariffs takes effect until October 1. The reason for the increase is the very low levels that have been reached in such transcontinental charges, owing to intense competition with water routes, and the feeling that the rates heretofore applied would, if made public, hardly stand scrutiny.

A very significant line of policy has been embarked upon by Congress in the passage of an act establishing the liability of the government to its own employees so far as the latter are engaged in industrial or manufacturing pursuits (Public Document No. 176). This measure was enacted just before the close of the session (May 30) and was the unwilling concession of Congress to the earnest representations of the President. The act will apply to about 70,000 employees including those engaged on the Panama Canal, those employed in arsenals, in powder factories, and elsewhere. Under the terms of the bill, any employee engaged in hazardous work of specified kinds, who is injured in the course of such employment, "shall be entitled to receive for one year thereafter, unless such employee, in the opinion of the Secretary of Commerce and Labor, be sooner able to resume work, the same pay as

if he continued to be employed, such payment to be made under such regulation as the Secretary of Commerce and Labor may prescribe." Cases where the injury is due to the misconduct or negligence of the employee are made an exception. The act further goes into some detail in specifying how claims shall be filed and the manner in which awards of damages shall be made. Special significance must be attached to the fact that this is the outcome of the President's constant and urgent demand for the introduction of a new doctrine of employers' liability into the United States, the model recommended being the British workmen's compensation acts. The present modified form of the bill, binding only upon the federal government in its own relations with certain of its employees, is of course constitutional, and will be of greatest interest in two ways. It will afford some statistics as to the working of such a law in actual practice in this country or in enterprises under the direction of the federal government. It will, furthermore, set an example to states for legislation which will doubtless be pressed upon them. In the opinion of many observers the bill may be largely curtailed in operation by the clause which prohibits employees from recovering in cases where the injury is due to negligence on the part of the man injured. This clause was not in the original administration draft of the bill, but was inserted at the Capitol. The large discretion allowed to the Secretary of Commerce and Labor will permit the government, if charitably disposed to stretch the extent of its awards.

*A correction.*

As one of the Advisory Editors of the *Journal of Political Economy* I feel called upon to note an error in the June number at p. 377, where it is said that

one factor which operated to aggravate the situation somewhat was the passage of the New York state law requiring the keeping of specified trust company reserves in "lawful money." The effect of this legislation was to drive out many national bank notes from trust company vaults, their place being taken by the classes of currency required under the new law.

The writer is in error. The new law of New York, like the old one, prescribes as reserve money of trust companies "either lawful money of the United States, gold certificates, silver certificates, or notes or bills issued by any lawfully organized national banking association." The same provision applies to state banks.

HORACE WHITE